

# **EXHIBIT B**



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## HYZON MOTORS INC: TROUBLE AT THE PARENTCO

October 6, 2021 · by Iceberg Research · in Uncategorized ·

10 Comments

*Please refer to our disclaimer at the bottom of the report.*

Blue Orca Capital published a [short report](#) on Nasdaq-listed Hyzon Motors Inc. on 28 September 2021. Having conducted our own research, we agree with its key findings. Hyzon issued a [rebuttal](#) to the report on 5 October 2021 that failed to address these issues.

This report contains new information on Hyzon. Its parent Horizon Fuel Cell Technologies Pte Ltd (“Horizon”) saw its 2019 sales surge, thanks to one customer. But this client was in

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No actual gain? They just raised billions of equity and debt against that.

  3

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You really are a piece of art when you write: “In this case, the incorrect recognition of future fees from the marketing

financial trouble by the end of the year. This was never disclosed. Hyzon's corporate governance puts its minority shareholders at risk. Horizon holds the largest block of Hyzon shares, and controls both management and the board of the two entities.

Adding to these concerns is Horizon's unenviable track record with spin-offs. The first two have not gone well. Hyzon is its third and is likely to suffer the same fate.

Hyzon boasts of its superior fuel cell technology. We believe these claims are exaggerated. Furthermore, we think customers will be reluctant to buy trucks whose warranties are covered by Hyzon, not by original equipment manufacturers ("OEMs").

We are short Hyzon Motors.

## Horizon's Surge in 2019 Sales Was With a Major Client in Financial Distress

The bull case for Hyzon is largely supported by the fuel cell technology and expertise of its 63%-shareholder, Singapore-based Horizon, also Hyzon's key source of hydrogen fuel cells under a **supply agreement** signed in January 2021.

Singapore filings show the Horizon group reported \$28.9m revenue in 2019 (see below), up 540% from \$4.5m in 2018, which suggests Horizon is growing fast in the nascent market for hydrogen fuel cells.

agreements presented an artificial picture of [Noble's] financial position, but did not translate into actual monetary gains by the company"

1 4

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The shamelessness of the Monetary Authority of Singapore is breathtaking [gtreview.com/news/asia/sin...](#)

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Singapore regulator under fire for response to Noble ...

4 9

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<b>Corporate Compliance and Financial Profile of HORIZON FUEL CELL TECHNOLOGIES PTE. LTD. (200310637H)</b>			
<u>Balance Sheet</u>	<b>2019 Group</b>	<b>2018 Group</b>	<b>2017 Group</b>
Total Assets	32,311,228.00	12,202,391.00	13,442,244.00
Total Current Assets	27,431,885.00	9,873,964.00	11,569,226.00
Total Liabilities	34,049,223.00	20,220,442.00	19,941,232.00
Total Current Liabilities	14,053,526.00	1,785,531.00	1,506,321.00
Retained Earnings (Accumulated Loss)	-26,030,159.00	-26,042,863.00	-23,233,200.00
<u>Profit and Loss</u>			
Revenue	28,896,728.00	4,489,463.00	3,422,103.00
Profit(Loss) before tax from continuing operations	-145,215.00	-3,425,936.00	-3,279,219.00
Profit(Loss) after tax from continuing operations	-145,215.00	-3,425,936.00	-3,279,219.00
Profit(Loss) after tax from discontinued operations	*	*	*
EBIT	-64,661.00	-3,425,936.00	-3,279,219.00

Source: Horizon Fuel Cell filings

We found that almost all Horizon's sales come from its Chinese subsidiary Jiangsu Qingneng New Energy Technologies Co., Ltd – 江苏清能新能源技术股份有限公司 ("Qingneng"). Qingneng was listed on China's OTC exchange – National Equities Exchange and Quotations (NEEQ) market – between June 2018 and March 2021. Qingneng's financials show most of the 2019 spike was due to one customer, Shanghai SunLong Bus Co., Ltd (上海申龙客车有限公司), which accounted for 74% (RMB 150m) of Qingneng's sales and 85% (RMB 56.5m) of trade receivables at the end of 2019.

### Qingneng's disclosure of its largest customers by sales in 2019

(3) 主要客户情况				
序号	客户	销售金额	年度销售占比%	是否存在关联交易
1	上海申龙客车有限公司	150,000,000.00	74.24%	否
2	南通亿能能源科技有限公司	18,390,605.52	9.10%	否
3	Horizon Fuel Cell Europe s.r.o.	8,361,567.27	4.14%	否
4	上海杰宁新能源科技有限公司	4,601,769.91	2.28%	否
5	Horizon Fuel Cell Americas Inc.	3,953,594.78	1.96%	否
合计		185,307,537.48	91.72%	-

Source: Jiangsu Qingneng 2019 financial statements

Qingneng and Horizon never disclosed that SunLong was and is still in financial distress. SunLong's parent company Shenzhen-listed Tunghsu Optoelectronic Technology **defaulted on three bonds** (RMB 4.7bn or ~\$666m) towards the end of 2019, despite reporting a \$2.6bn cash stack at the end of September. The filings of both Qingneng and Beijing SinoHytec (北京亿华通科技股份有限公司), a much larger fuel cell peer and also a SunLong supplier, show SunLong's struggles continued in 2020.

Qingneng's free cash flow plunged to negative RMB49.7m (\$7m) for the 1H20 period. The drop was mainly due to sales, which fell 36% YoY to RMB 16m (\$2.4m), and poor collections on its SunLong receivables. We estimate that Qingneng collected just RMB 1m of its end-2019 SunLong receivables (RMB 56.5m or \$8m).

Yet, just 5% of the SunLong receivables were recognised as bad debts at the end of June 2020. Qingneng chose to sweep this problem under the carpet. By contrast, SinoHytec recognised SunLong's problems and **impaired 28% of its SunLong receivables** in the 1H20 period, up from 16% at the end of 2019.

**Comparison of revenue and balances with SunLong - RMB million**

Company	Qingneng		Beijing SinoHytec	
	Period	2019	1H20	2019
Revenue with SunLong	150	-	350	-
Trade receivables with SunLong	56.5	55.5	297.17	292.54
Allowance for bad debts - SunLon	2.83	2.78	46.73	80.68
<b>Allowance as % of trade receivables</b>	<b>5.00%</b>	<b>5.00%</b>	<b>15.70%</b>	<b>27.60%</b>

Source: Qingneng and Beijing SinoHytec financial statements

## Hyzon's Corporate Governance Put Its Minority Shareholders at Risk

The same Horizon that did not disclose its customer default now has extensive control of Hyzon through its 63%-shareholding. Both entities share common directors i.e., Chairman George Gu

(顾志军) and CEO Craig Knight. The remaining shareholder base is fragmented with each owning less than 5%. Horizon is the only fuel cell supplier for Hyzon.

This may create the risk that Horizon gets access to the ~\$500m cash pile Hyzon raised through the July 2021 SPAC merger, by charging Hyzon exorbitant prices to support its fuel cell business, to the detriment of minority shareholders. Hyzon will have to pay a subsidiary of Horizon at least \$10m [Pg 7] by the end of this year to licence intellectual property. We call this ‘拆东补西’ or ‘pulling down the east wall to repair the west wall’.

As per the prospectus, the 155.6m Hyzon shares held by Horizon are subject to a six-month lock-up, meaning Horizon can sell its shares from January 2022.

## History of Disappointing Spinoffs

Horizon's [website](#) shows Hyzon is its third spin-off. The first two have remained small without any meaningful growth, despite being around for at least 10 years. We believe the same will happen with Hyzon.

- Horizon Fuel Cell Europe s.r.o. (HFCE)

Czech Republic-based HFCE was Horizon's first spin-off. The company was incorporated in 2011 to develop, produce, and sell hydrogen-themed science experiment kits for students. HFCE's products are sold through [its website](#) and on Amazon. The company boasts of 50,000 customers in 150 countries, according to its website, but Czech filings show [total profits from 2011-2019](#) were a measly CZK 11.1m (\$0.5m).

- HES Energy Systems

Horizon started HES Energy in 2009, first as a hydrogen aerial mobility lab, then a move into **drone development** in 2017. The company was acquired in 2015 by H3 Dynamics, another Singapore-based company, as part of an MBO led by Horizon and Hyzon's strategic advisor Taras Wankewycz.

The Singapore-incorporated company's total operating losses were negative SGD 2.4m (\$1.8m) over the 2018-2020 period. About SGD 1.3m (~\$1m) was burnt on operations (see below).

## HES Energy's 2018-2020 financials

<b>Corporate Compliance and Financial Profile of HES ENERGY SYSTEMS PTE. LTD. (200917014Z)</b>			
<u>Profit and Loss</u>			
Revenue	516,420.00	574,460.00	485,880.00
Profit(Loss) before tax from continuing operations	-289,590.00	-197,367.00	-1,954,858.00
Profit(Loss) after tax from continuing operations	-289,590.00	-197,367.00	-1,954,858.00
Profit(Loss) after tax from discontinued operations	*	*	*
<b>EBIT</b>	<b>-289,590.00</b>	<b>-197,367.00</b>	<b>-1,954,858.00</b>
<u>Cashflow Statement</u>			
Net cashflow from (used in) operating activities	-422,613.00	274,838.00	-1,181,651.00
Net cashflow from (used in) investing activities	0.00	-7,292.00	-13,374.00
Net cashflow from (used in) financing activities	543,860.00	-540,622.00	1,436,973.00

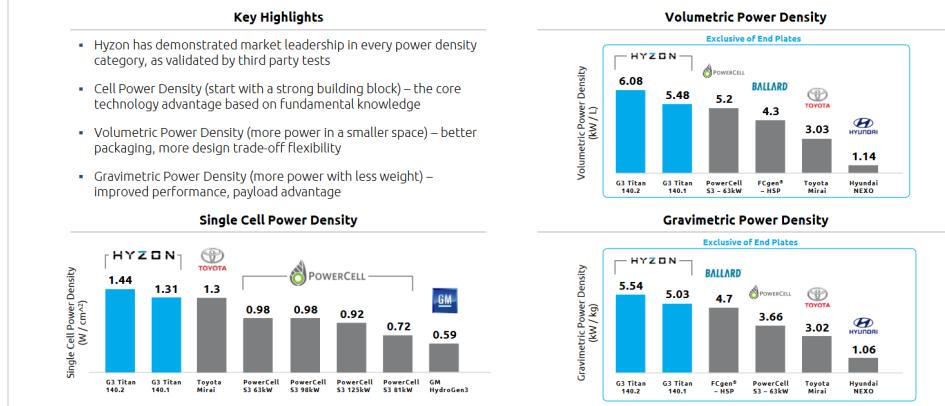
Source: *HES Energy filings*

## Exaggerated Technical Claims

Hyzon boasts of its technical superiority, in particular, its G3 Titan fuel cells lead the world on volumetric power density ("VPD" of 5.48-6.08) and gravimetric power density (GPD of 5.03-5.54), according to its **investor presentation**.

## Hyzon's comparison of its fuel cell with competitors

### Overview of Fuel Cell Competitors

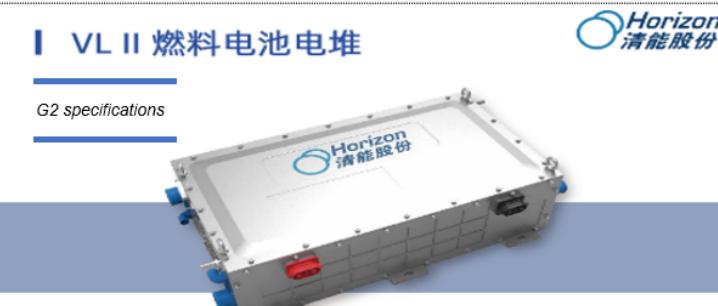


Source: Hyzon investor presentation

However, the G3 Titan is compared to fuel cells that are already in the market. The G3 Titan is still **under development** and will only be **launched in 2022** [Pg 33 of July 2021 Investor Presentation]. Data assessed by third-party TUV Rheinland was from 'short stack testing' and merely points to the '...potential of using full power fuel cells up to 500hp (370kW) for heavy mobility applications....'

Hyzon's existing product – the 150 kW G2 fuel cell – underperforms most peers. Its GPD of just 2.31 kW/kg is much lower than Ballard's **140 kW FCgen – HSP** at 4.7 kW/kg.

Product brochure for G2 fuel cell



**VL II 燃料电池电堆**

**G2 specifications**

**规 格**

	75	100	150
电池片数 (片)	250	334	500
电堆质量 (kg)	45.81	53.18	71.44
电堆尺寸 (mm)	533*450*198	645*450*198	922*450*198
Volumetric power density and gravimetric power density, respectively.	4.2	4.2	4.2
*电堆体积功率密度 (kW/L)	1.92	2.07	2.31
电堆运行温度 (°C)	70°C~85°C		
运行环境温度 (°C)	-30°C~45°C		
相对湿度	0~100% 非冷凝		
氢气纯度	≥99.95% 干燥氢气		
氢气消耗量 (kWh)	≤0.73m³/kWh (额定功率下平均值)		
启动时间 (min)	≤2 (常温下) / ≤15 (-30°C下)		
燃料电池效率	≥47.8% (额定功率时)		
氢气压力 (kPa)	0~170 (相对压力)		
空气压力 (kPa)	0~80 / 0~150 (相对压力)		
冷却液要求	50%去离子水+50%乙二醇		

\*工况：150kW时，不含端板的参数值

Source: Jiangsu Qingneng [website](#)

## The Warranty Issue

Reliable warranties are crucial to industrial clients that intensively use their vehicles. Hyzon does not build trucks. It converts OEM's internal combustion engine vehicles (e.g., DAF) to hydrogen-fueled trucks through its 50.5%-owned joint venture – Holthausen Clean Technology Investments BV – with Netherlands-based

Holthausen Clean Technology Investments BV.

We were informed by a Holthausen representative that Hyzon, not the OEM, will cover the warranty. Hyzon's clients will then have to trust that Holthausen and Hyzon are able to service the warranty. Holthausen is run by a father and son team, Carl and Max Holthausen. According to a March 2021 report by Dutch newspaper Het Financieele Dagblad, the [Holthausens first](#)

experimented with hydrogen as a fuel about 10 years ago, first as a generator, followed by a boat, a remote controlled car, a drone, then finally a “Hesla”, a hydrogen-powered Tesla Model S.

We expect many industrial customers will be reluctant to buy Hyzon's vehicles when established OEMs such as Toyota, Hino, and General Motors are lining up to launch their own hydrogen trucks. The likes of Daimler Trucks began testing its Mercedes-Benz GenH2 prototype truck in May this year while South Korea's Hyundai plans to roll out 1,600 fuel cell trucks by 2025.

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## 10 comments



Craig · October 6, 2021 - 5:00 pm · [Reply](#)→

Would you please explain why you have deliberately left out the vehicles already on road and in use in Europe?

Thanks

★ Like



Iceberg Research · October 7, 2021 - 9:51 pm · [Reply](#)→

1) First, there is no such thing as an "Hyzon truck" as the company likes to promote itself. These trucks are built by OEMs, and retrofitted with fuel cells and hydrogen tanks by Hyzon. There are countless companies that can do that.

2) These vehicles are used under pilot programs  
3) This report is not about the mechanics of a truck. It's about the ability of Hyzon to generate future cash flows for its shareholders to support its current valuation.  
4) Horizon has hidden lots of key information.

Hyzon Motors Inc trouble at the Parent Co. Iceberg Research

This is most likely the reason by the way why this new company (Hyzon) was created. If the SPAC had been with Horizon, it would have been much tougher to hide the elements we found.

5) Saying that Hyzon is independent from Horizon is naive considering its corporate governance and 63% ownership.

★ Like



Craig · October 8, 2021 - 6:53 am ·

It is no secret that they use OEM trucks?

The possibility to return on invest is the technology being out into use, test programs, alterations and final market implementation and then sales, this is a normal business development! Have you ever run a development company? Or just analysis bits of info?

Again no mention of their trucks on the roads!

If you are a short then that explains it all.

★ Like



Iceberg Research · October 8, 2021 - 10:40 am · [Reply→](#)

Your “development company” for which you obviously work should not be worth \$1.6b. We will see in six

months how it goes. You should be cautious considering our track record.

★ Like



Craig · October 8, 2021 - 10:44 am · *Reply*→

I do not work for this company, although I have run various companies in a different field.

It's just a shame that you work with only shreds of info, claiming that others doing that is wrong, and have obviously no experience in building and running a company. Your objective is clear.

This is my last remark.

Thank you

★ Like



Iceberg Research · October 8, 2021 - 10:58 am · *Reply*→

If you ran companies as you claimed, you should know that when a customer accounting for 74% of the sales is defaulting, that is a bloody big issue. The minority shareholders of Hyzon will appreciate being left in the dark on that.

★ Like



Craig · October 8, 2021 - 11:35 am · *Reply*→

Same old, same old bye bye

★ Like



Andre Toh · October 8, 2021 - 12:39 pm · [Reply](#)→

Some work with shreds of info... some hide info... right

Craig..

★ Like



Jason · October 8, 2021 - 2:05 pm · [Reply](#)→

I think all of these concerns are valid. Only time will tell on where Hyzon and Horizons motives are. If they dump shares after the lockup expires or if they stay on course and build a company that will compete in the hydrogen transport sector.

I was hoping that Hyzon wouldn't be retrofitting trucks at all and focus more on selling their fuel cells, Eaxels, storage tanks and other tech/IP to legacy companies.

Kind of like Cummins. If the G3 Titan really is the best in class and well ahead of peers, well, there certainly is value in that.

★ Like



Nik Patel · October 9, 2021 - 12:42 pm · [Reply](#)→

Thanks for putting this report together. At a minimum it certainly leaves many unanswered questions by Hyzon mgmt /board. A point by point rebuttal would be helpful but I suspect we will not get that anytime soon.

It does appear that if Hyzon was intensely diligenced by a private market investor , it would be valued as a true development stage concept company that would be

raising early stage series A/B capital at what I suspect is a much lower valuation.

The likely greatest concern I see is that Hyzon is competing against large multinational incumbent auto OEMs that have invested billions into hydrogen fuel cell technologies and have extraordinary capital and resource commitments to these efforts whereas Hyzons roster of engineering and technical talent is likely far far less and thus probability of success is low

I agree with Iceberg that having a handful of retrofit trucks on the road is something anyone with a mechanics garage can accomplish. This feels more like Nikola than Hyundai . The hope for the long holders Hyzon must be that they are able to wisely invest in R&D the capital raised by the SPAC transaction and “figure it out” over the next 5 years vs likely having an already established and successful R&D program on the cusp of mass manufacturing capabilities. This is the classic “Theranos” conundrum of early stage startups, they sell a bright future but highly uncertain if they have the ability to get there

★ Like

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data point to massive trading  
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